

UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF WASHINGTON

In re:

IDEAL PROPERTY INVESTMENTS LLC,

Debtor.

CASE NO. 24-01421-FPC11

DECLARATION OF JOSEPH P. FANELLI
IN SUPPORT OF ENTRY OF DEBTOR'S
SECOND INTERIM CASH COLLATERAL
ORDER

I, Joseph Fanelli, declare and state as follows:

1. I am the Managing member of J. Fanelli Properties, LLC, which is the proposed chief restructuring officer ("Fanelli" or "CRO") for the debtor ("Debtor") in the above captioned proceeding. I am over the age of 18, and I am competent to testify.

2. The Debtor and its professionals have continued efforts to stabilize the estate. As further outlined below, those efforts have primarily consisted of obtaining insurance over all properties, collecting rent from tenants, readying Real Properties for sale, identifying creditors, and working on a path forward to maximize the value to the estate and its creditors.

3. The Debtor has engaged my firm recently in a chief restructuring officer capacity.

DECLARATION JOSEPH FANELLI IN SUPPORT OF ENTRY OF
DEBTOR'S SECOND INTERIM CASH COLLATERAL ORDER - 1

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1 4. Important to the upcoming hearing, rent collection has been sporadic and
2 challenging. As an initial matter, the Debtor still lacks clarity on what Real Properties are
3 occupied by third-party tenants as opposed to tenants comprising Debtor's affiliated entities,
4 Creative Technologies, LLC; Refreshing USA, LLC; and Water Station Management, LLC
5 (collectively referred to as "Creative"), which remain subject to involuntary bankruptcy
6 proceedings in the Southern District of Texas. Further, certain secured creditors executed on
7 assignments of rents, thereby directing tenants to pay the secured creditors directly. The Debtor's
8 team is working cooperatively with the respective secured parties to reverse those directives.
9 Finally, certain real property initially assumed to be part of the bankruptcy estate has been
10 determined to be titled in Debtor's subsidiaries, rendering those properties and their rent not
11 property of the estate pursuant.
12

13 5. The Debtor intends to have a motion on file in advance of the second interim
14 hearing on use of cash collateral to address the role of the subsidiaries in the bankruptcy case.
15

16 6. Attached hereto as Exhibit A is the most current rent roll for the Real Property
17 held by the estate, which excludes rent derived from subsidiary owned properties.
18

19 7. Debtor has discovered that with respect to one of its proposed adequate protection
20 payments approved in the First Interim Order would have gone to a secured creditor of one of
21 its subsidiaries, Avatar REIT I, LLC. Upon discovering this fact, no adequate protection payment
22 was made to this creditor. Debtor did make the following adequate protection payments for the
23 month of September: First Federal Bank: \$14,842.19; Cadence Bank: \$5,152.01; Socotra REIT
24 I LLC: \$11,599.56.

25 8. The Debtor and its professionals have been working diligently to gain better
26 information about the value of the Real Property and the amount of secured liens against each.

DECLARATION JOSEPH FANELLI IN SUPPORT OF ENTRY OF
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1 An updated schedule, just showing the Real Property held by the estate (and not Debtor's
2 subsidiaries) is attached hereto as Exhibit B. Debtor has likewise updated its schedules in this
3 proceeding, although it recognizes that a further update is likely needed once more information
4 is available to it.

5
6 9. The Debtor has identified one piece of Real Estate, 530 Oppen Street, Escondido,
7 CA (the "Escondido Property") that is ready for sale and has filed a motion to approve such sale
8 (ECF No. 79). This sale, if approved, will paydown Socotra REIT I, LLC, which is cross-
9 collateralized on another of Debtor's Real Properties. It will also provide the Debtor
10 approximately \$420,000 in sale proceeds, which Debtor seeks court authority to use at the
11 upcoming hearing. Attached hereto as Exhibit C is the updated cash collateral budget ("Second
12 Interim Cash Collateral Budget"), which forecasts the Escondido Property net proceeds.

13
14 10. Related to the Escondido Property sale, as highlighted in the motion to approve
15 the sale, the Debtor is aware of certain personal property left behind by a former tenant and
16 affiliated entity, Water Station Management, LLC ("WSM"), after it terminated its tenancy in
17 September of 2023. Due the pending bankruptcy of that entity, the Debtor needs to preserve
18 those assets for WSM and cannot just abandon or sell the items. To do that, Debtor may need to
19 hire a moving company, and rent storage space, either from the buyer of the Escondido Property
20 or a third party. It has included the maximum amount that it would anticipate for such storage to
21 cost in the Second Interim Cash Collateral Budget. Incurring such expense brings value to
22 Debtor's estate, as the Escondido sale could not close without dealing with the WSM personal
23 property.
24

25 11. The Debtor continues to work with its real estate brokers to market the remaining
26 Real Properties for sale, either individually or through a portfolio offer – identifying those ready

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1 for a more immediate sale and those that should be sold under a confirmed Plan of
2 Reorganization. With respect to the three residential real estate properties (Camano, WA and
3 two in San Antonio, TX), the Debtor intends to hire residential real estate brokers in the
4 respective states, subject to court approval, to begin marketing those Real Properties.

5
6 12. Another important issue the Debtor is working on is binding property and casualty
7 insurance covering the Real Properties. To that end, the Debtor has been informed it can
8 anticipate receiving quotes early next week and that the premium cost is estimated to be around
9 \$550,000, and the Debtor will likely be able to finance between 50% to 75% of the premium.
10 The Debtor will bring motions to approve any financing arrangement as required under the
11 Bankruptcy Code.

12
13 13. Finally, Debtor forecasts to pay certain professional fees of Fanelli Properties and
14 DBS Law in the Second Interim Cash Collateral Budget, up to \$75,000, to be split between the
15 respective professionals pro-rata based upon their September time, subject to entry of orders
16 approving each professional's employment and approving payment of fees.

17 14. The Adequate Protection Payments are calculated based upon Debtor's analysis of
18 how much rent it is set to receive off a given Real Property and how much the respective Secured
19 Lender is owed on such Real Property. The chart attached as Exhibit D hereto outlines the
20 calculations of the proposed Adequate Protections Payments.

21
22 I declare under penalty of perjury under the laws of the State of Washington that the
23 foregoing statements are true and correct to the best of my knowledge.

24 DATED this 4th day of October 2024, at Portland, Oregon.

25
26 

Joseph P. Fanelli

DECLARATION JOSEPH FANELLI IN SUPPORT OF ENTRY OF
DEBTOR'S SECOND INTERIM CASH COLLATERAL ORDER - 4

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EXHIBIT A

PROPERTY	SCHEDULED	UNIT	SEPTEMBER	OCTOBER (thru 10/4)
22ND				
Grand Canyon Foods	\$ 15,225.00			
	Refreshing/Creative - No rent			
ARIZONA - COOLIDGE	Vacant Land			
ARLINGTON AIRPORT	Vacant Land			
CAMANO	Vacant			
COMMERCIAL BLDG IL	Vacant			
DALLAS				
Dobbs Stanford	\$ 11,097.00	2715	11,097.00	
Select Technology Group	\$ 3,000.00	2711	3,000.00	
ESCONDIDO				
Sound-Crete	\$ 6,571.00	UNIT A		
Progressive Playgrounds	\$ 4,740.00	UNIT B	4,740.00	
Open		UNIT C		
Open		UNIT D		
EVERETT				
Arlington Recycle	\$ 12,500.00			
HAYWARD				
ITA-Med	\$ 12,503.00		12,503.00	
Open				
MAGNOLA				
Creative/Refreshing				
MISSOULA				
Custom Upholstry	\$ 3,235.00		3,235.00	
Valley Vending	Verifying			
OROVILLE	Vacant Land			
PORTLAND				
Sherwood Auto Body	\$ 900.00			
Unknown	\$ 4,500.00			
SAN ANTONIO - SUN VISTA				
	\$ 1,795.00			
SAN ANTONIO - VEREDA				
Nadia	\$ 1,695.00			1,695.00
STANWOOD	Vacant Land			
STANWOOD-JOHN BERRY	Verifying			
TALLAHASSEE	Vacant			
UTAH	Vacant			
VEGAS	Vacant			
YUMA				
We Recycle Solar Inc	\$ 3,000.00			
TOTAL	\$ 80,761.00		\$ 34,575.00	\$ 1,695.00
TOTAL KNOWN	\$ 63,741.00			
UNKNOWN	\$ 17,020.00			

EXHIBIT B

PROPERTY	ADDRESS	TITLE ENTITY	1ST Lien	1ST LENDER	2ND Lien	EST. VALUE	PROPERTY TYPE
HAYWARD	25377 HUNTWOOD AVENUE HAYWARD CA 94544	IDEAL PROPERTY INVESTMENTS LLC	\$ 3,880,000	SOCOTRA CAPITAL	FIRST FED BANK	\$ 9,500,000	County site says. Storage building built 1970.
EVERETT	11410 BEVERLY PARK RD EVERETT WA 98204	IDEAL PROPERTY INVESTMENTS LLC	\$ 4,223,810	FIRST FED BANK		\$ 7,400,000	Industrial/Warehouse
UTAH	586 WEST 9320 SOUTH, SANDY, UT	IDEAL PROPERTY INVESTMENTS LLC	\$ 1,428,333	CADENCE		\$ 2,789,328	Retail
DALLAS	2709 ELECTRONIC LANE DALLAS TEXAS 75220	IDEAL PROPERTY INVESTMENTS LLC	\$ 3,384,838	CADENCE	FIRST FED BANK	\$ 4,750,000	Industrial
MAGNOLIA	4237 E MAGNOLIA PHOENIX ARIZONA	IDEAL PROPERTY INVESTMENTS LLC	\$ 787,500	FIRST SECURITY BANK	FIRST FED BANK	\$ 1,800,000	Industrial/retail/flex6 tenants, 10 spaces
ESCONDIDO	530 OPPER STREET ESCONDIDO, CA	IDEAL PROPERTY INVESTMENTS LLC	\$ 3,900,000	SOCOTRA CAPITAL	FIRST FED BANK	\$ 4,650,000	RV and Boat Storage 14919 & 14821 vacant land 14805 is a SFR
COMMERCIAL BLDG IL	9480 THOMAS AVENUE BRIDGEVIEW, IL 60455	IDEAL PROPERTY INVESTMENTS LLC	\$ -	FIRST FED BANK		\$ 650,000	Warehouse
TALLAHASSEE	877 ORANGE AVE TALLAHASSEE FL	IDEAL PROPERTY INVESTMENTS LLC	\$ -	FIRST FED BANK		\$ 599,000	Industrial
CAMANO	3200 SHORELINE DR CAMANO ISLAND WA	IDEAL PROPERTY INVESTMENTS LLC	\$ 625,933	AVATARINBC MERGECO INC	FIRST FED BANK	\$ 900,000	Residential
YUMA	653 E 20TH STREET YUMA AZ 85365	IDEAL PROPERTY INVESTMENTS LLC	\$ 1,148,250	CADENCE	FIRST FED BANK	\$ 1,410,000	Warehouse/Industrial
ARLINGTON AIRPORT	3811 188TH STREET NE ARLINGTON WA	IDEAL PROPERTY INVESTMENTS LLC	\$ 695,000	FIRST FED BANK		\$ 1,000,000	Industrial
22nd	1930 N 22ND AVE PHOENIX AZ 85009	IDEAL PROPERTY INVESTMENTS LLC	\$ 4,067,500	FSBNV	FIRST FED BANK	\$ 4,350,000	Industrial/Warehouse
SAN ANTONIO - SUN VISTA	4407 SUN VISTA LANE SAN ANTONIO TX 78217	IDEAL PROPERTY INVESTMENTS LLC	\$ -	AVATARINBC MERGECO INC	FIRST FED BANK	\$ 230,700	Residential
STANWOOD	27602 40TH AVE NW STANWOOD WA 98929	IDEAL PROPERTY INVESTMENTS LLC	\$ 550,000	AVATARINBC MERGECO INC	FIRST FED BANK	\$ 775,000	Industrial
STANWOOD-JOHN BERRY	27423 40TH AVE STANWOOD WA	IDEAL PROPERTY INVESTMENTS LLC	\$ 550,000	AVATARINBC MERGECO INC	FIRST FED BANK	\$ 775,000	Industrial
SAN ANTONIO - VEREDA	630 VEREDA SAN ANTONIO TX 78201	IDEAL PROPERTY INVESTMENTS LLC	\$ -			\$ 180,900	Residential
OROVILLE	12 EMERY RD OROVILLE WA 98844	IDEAL PROPERTY INVESTMENTS LLC	\$ -	FIRST FED BANK		\$ 175,000	Warehouse
COOLIDGE	700 S. ARIZONA BLVD COOLIDGE AZ 85128	IDEAL PROPERTY INVESTMENTS LLC	\$ -	FIRST FED BANK		\$ 100,000	Industrial - VACANT LAND
VEGAS	7925 W ARBY AVE LAS VEGAS NV, 89113	IDEAL PROPERTY INVESTMENTS LLC	\$ 3,090,000	FSBNV	FIRST FED BANK	\$ 2,800,000	Condominunized Warehouse- 3 Units
MISSOULA	1924 NORTH AVE W, MISSOULA, MT 59801	IDEAL PROPERTY INVESTMENTS LLC	\$ 1,129,107	CADENCE		\$ 691,200	Warehouse
PORTLAND	19355 SW TETON AVENUE TUALATIN OREGON	IDEAL PROPERTY INVESTMENTS LLC	\$ 1,430,352	FIRST FED BANK		\$ 525,000	Industrial/Warehouse

EXHIBIT C

EXHIBIT D

Current Revenue Generating Properties					
Scheduled Value of Properties		30,576,200			
First Position Lender/Creditor	Scheduled Debt	Prorata Share Percentage	Distributions	Rent Revenue	
Cadence	5,572,181.99	29%	10,686.94	20,332.00	
First Fed Bank	5,654,162.00	30%	10,844.17	17,900.00	
Socotra Capital	7,700,000.00	41%	14,767.90	23,814.00	
Total	18,926,343.99	100%	36,299.00	62,046.00	

Income Generating Properties as of 9/27/2024	
Cadence	Dallas
	Missoula
	Yuma
First Fed	Portland
	Everett
Socotra Capital	Escondido
	Hayward